

Message Text

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PAGE 01 HELSIN 01739 01 OF 03 021615Z
ACTION EUR-12

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TO SECSTATE WASHDC 2782
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AMEMBASSY STOCKHOLM

C O N F I D E N T I A L SECTION 1 OF 3 HELSINKI 1739

E.O. 11652: N/A
TAGS: PINT, FI
SUBJECT: GOVERNMENT COALITION STILL HOLDING TOGETHER AS
PARLIAMENT APPROACHES SUMMER RECESS AND POLITICAL PARTY
CONVENTIONS BEGIN

REF: HELSINKI 0741,

1. SUMMARY. DURING A RELATIVELY CALM SPRING IN FINNISH
DOMESTIC POLITICS, THE PARTIES OF THE GOVERNMENT COALITION
HAVE SHOWN A CONSIDERABLE WILL TO FIND COMPROMISE
SOLUTIONS TO THEIR DIFFERENCES. TWO MAJOR FACTORS
CONTRIBUTING TO THE GENERAL ATTITUDE OF COOPERATION
PREVAILING AMONG THE GOVERNMENT COALITION PARTIES HAVE
BEEN (1) DESIRE TO AVOID A CRISIS BEFORE THE ROUND OF
POLITICAL PARTY CONVENTIONS WHICH COMMENCED JUNE 1 AND
(2) LACK OF ENTHUSIASM AMONG THE COALITION PARTNERS FOR
PREMATURE PARLIAMENTARY ELECTIONS, BECAUSE OF OPINION POLLS
CLEARLY INDICATING THAT THE BIGGEST GAINER IF PARLIAMENTARY
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PAGE 02 HELSIN 01739 01 OF 03 021615Z

ELECTIONS WERE HELD NOW WOULD BE THE OPPOSITION
CONSERVATIVE PARTY. MEANWHILE, PARLIAMENT IS
ATTEMPTING TO CLEAR ITS LEGISLATIVE CALENDAR
TO BEGIN ITS SUMMER RECESS BY JUNE 15. IN ADDITION TO
NORMAL POLITICAL ISSUES AND MANEUVERING, THE SLOWLY
EXPANDING SALORA TV FINANCIAL/TAX SCANDAL HAS
THE POTENTIAL OF ASSUMING INCREASING POLITICAL

SIGNIFICANCE. COMMENT: GIVEN THE CURRENT LACK OF INTEREST AMONG THE GOVERNMENT PARTIES IN PARLIAMENTARY ELECTIONS PRIOR TO THE SCHEDULED MARCH 1979 ELECTIONS, THE CHANCES OF THE GOVERNMENT SURVIVING UNTIL NEXT WINTER AND OF NORMAL ELECTIONS NEXT MARCH ARE CONSIDERABLY HIGHER NOW THAN THEY APPEARED TWO OR THREE MONTHS AGO. NEVERTHELESS, THERE ARE STILL A NUMBER OF FACTORS SUPPORTING THE POSSIBILITY OF EARLY ELECTIONS, AND THE EMBASSY DOES NOT YET RULE OUT A LATE SUMMER GOVERNMENT RESIGNATION AND NOVEMBER ELECTIONS. END SUMMARY.

2. IT HAS BEEN A RELATIVELY CALM SPRING IN FINNISH DOMESTIC POLITICS FOLLOWING THE FEBRUARY 1978 DEVALUATION AND THE GOVERNMENT RESHUFFLE IN MARCH (HELSINKI 0741). DESPITE FINLAND'S CONTINUING ECONOMIC DIFFICULTIES (VIRTUALLY ZERO ECONOMIC GROWTH AND CONTINUING HIGH UNEMPLOYMENT) LABOR PEACE HAS PREVAILED THROUGH THE SPRING, IN MARKED CONTRAST TO SPRING 1977. THERE HAS BEEN A FAIR AMOUNT OF POLITICAL SCUFFLING IN PARLIAMENT AND A NUMBER OF POLICY DISAGREEMENTS AMONG THE FOUR PARTIES OF THE GOVERNMENT COALITION. HOWEVER, THE COALITION HAS DEMONSTRATED A CONSIDERABLE COLLECTIVE WILL THUS FAR TO FIND ACCEPTABLE COMPROMISES TO ITS DIFFERENCES.

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PAGE 03 HELSIN 01739 01 OF 03 021615Z

3. LAST WEEK IN PARLIAMENT THE CONSERVATIVE PARTY PRESENTED AN INTERPELLATION CRITICAL OF THE GOVERNMENT'S ECONOMIC POLICIES; AFTER SOME COMPLICATED PARLIAMENTARY MANEUVERING, IN WHICH THE INTERPELLATION WAS CONVERTED INTO A VOTE OF NON-CONFIDENCE, THE GOVERNMENT COALITION LINED UP ITS PARLIAMENTARY MAJORITY TO DEFEAT THE OPPOSITION MEASURE EASILY.

4. TWO FACTORS HAVE CONTRIBUTED IMPORTANTLY TO THIS SPRING'S RELATIVE POLITICAL CALM AND, PARTICULARLY, TO THE GENERAL COOPERATION THAT HAS PREVAILED WITHIN THE GOVERNMENT COALITION. THE FIRST IS THAT ALL OF THE COALITION PARTIES HAVE BEEN PREPARING FOR IMPORTANT PARTY CONGRESSES IN JUNE, BEGINNING WITH THE 18TH FINNISH COMMUNIST PARTY CONGRESS BEING HELD JUNE 1-3 IN HELSINKI AND WITH THE LIBERAL PEOPLE'S PARTY CONGRESS JUNE 2-4 IN HAMEENLINNA. THE SOCIAL DEMOCRATIC PARTY (SDP) WILL HOLD ITS TRIENNIAL PARTY CONGRESS JUNE 8-11 IN A HELSINKI SUBURB AND THE CENTER PARTY WILL HOLD ITS PARTY CONGRESS JUNE 16-18 IN OULU. FOR EACH PARTY ITS PARTY CONGRESS IS OF CONSIDERABLE INTERNAL IMPORTANCE,

AND THE EMBASSY WILL BE REPORTING ON SIGNIFICANT DEVELOPMENTS RESULTING FROM THESE CONVENTIONS. THE PARTIES OF THE GOVERNMENT COALITION HAVE WANTED TO AVOID A GOVERNMENT CRISIS PRIOR TO THEIR RESPECTIVE PARTY CONGRESSES, AND THIS ATTITUDE HAS EXERCISED A MODERATING INFLUENCE WITHIN THE GOVERNMENT.

5. THE SECOND FACTOR ENCOURAGING COOPERATION AMONG THE GOVERNMENT PARTIES IS THE LACK OF ENTHUSIASM AMONG ANY OF THE COALITION PARTNERS FOR EARLY PARLIAMENTARY ELECTIONS. IN LAST JANUARY'S PRESIDENTIAL ELECTIONS THE ONLY MAJOR POLITICAL PARTY WHICH ACHIEVED INCREASED SUPPORT
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PAGE 04 HELSIN 01739 01 OF 03 021615Z

COMPARED TO PRECEDING ELECTIONS WAS THE CENTER PARTY. DURING LATE WINTER/EARLY SPRING THE CENTER PARTY EXHIBITED SOME SIGNS OF BEING WILLING TO RISK PROVOKING A GOVERNMENT CRISIS AND FORCING THE CONVENING OF EARLY PARLIAMENTARY ELECTIONS. HOWEVER, RECENT PUBLIC OPINION POLLS HAVE SHOWN THAT CENTER PARTY SUPPORT HAS SLIPPED BACK TO PRE-PRESIDENTIAL ELECTION LEVELS, AND THE CENTER PARTY APPEARS TO HAVE LOST ANY DESIRE FOR EARLY ELECTIONS.

CONFIDENTIAL

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PAGE 01 HELSIN 01739 02 OF 03 021519Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
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C O N F I D E N T I A L SECTION 2 OF 3 HELSINKI 1739

6. THE SDP AND THE SMALL LIBERAL PARTY ARE ALSO UNSATISFIED WITH THEIR STANDINGS IN THE POLLS. THE COMMUNIST FRONT SKDL HAS ACHIEVED MODEST GAINS ACCORDING TO THE POLLS AND MAY, AFTER THE PARTY CONVENTIONS, CONSIDER IT POLITICALLY FEASIBLE TO PUSH ITS VIEWS MORE VIGOROUSLY WITHIN THE GOVERNMENT COALITION EVEN AT RISK OF A GOVERNMENT CRISIS AND EARLY ELECTIONS. HOWEVER, THE POLLS CLEARLY INDICATE THAT THE BIGGEST GAINER IF PARLIAMENTARY ELECTIONS WERE HELD NOW, WOULD BE THE OPPOSITION CONSERVATIVE PARTY. IN VIEW OF THIS NONE OF THE GOVERNMENT COALITION PARTIES, INCLUDING SKDL, WOULD SEEM TO HAVE ANY STRONG TACTICAL ELECTORAL REASON FOR SEEKING EARLY ELECTIONS.

OPINION POLL PUBLISHED MAY 18, 1978

(FOUR MAJOR PARTIES ONLY)

(PERCENTAGES)

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PAGE 02 HELSIN 01739 02 OF 03 021519Z

	'75 PARL. ELECTION	JAN. '78 PRES.ELEC.	POLL
CENTER	17.6	19.4	17.7
SDP	24.9	23.2	23.6
SKDL	18.9	18.2	19.5
CONSERVATIVE	18.4	14.7	20.9

7. MEANWHILE, PARLIAMENT IS ATTEMPTING TO CLEAR ITS LEGISLATIVE CALENDAR IN ORDER TO BEGIN ITS SUMMER RECESS BY JUNE 15. THE MAJOR BUSINESS THAT THE GOVERNMENT IS ATTEMPTING TO GET APPROVED PRIOR TO THE SUMMER RECESS IS A NEW LAW ON INDUSTRIAL DEMOCRACY AIMED AT INCREASING THE VOICE OF EMPLOYEES AND WORKERS IN THE COMPANY DECISION-MAKING PROCESS. THE GOVERNMENT AND PARLIAMENT ARE ATTEMPTING TO RECONCILE TWO VERSIONS OF AN INDUSTRIAL DEMOCRACY BILL, ONE FAVORED BY THE SDP AND THE SKDL AND ANOTHER BEING PUSHED BY THE CENTER AND LIBERAL PARTIES. INTERESTINGLY, INDUSTRY AND BUSINESS SPOKESMEN AND THE CONSERVATIVE PARTY PREFER THE SDP/SKDL VERSION, WHICH WOULD NOT ADD ANY NEW MACHINERY TO THE EXISTING EMPLOYEE-MANAGEMENT FRAMEWORK. OTHER PENDING

MATTERS UPON WHICH ACTION MAY BE CONCLUDED PRIOR TO THE SUMMER RECESS INCLUDE INTER ALIA A SUPPLEMENTARY 1978 BUDGET, A REDUCTION IN THE TURNOVER TAX ON MACHINERY AND EQUIPMENT, AN EDUCATIONAL REFORM MEASURE, AND A REFORM OF FORESTRY TAXATION.

8. LOOMING SOMEWHAT BEHIND THE NORMAL POLITICAL ISSUES AND MANEUVERING IS A SLOWLY EXPANDING FINANCIAL/TAD SCANDAL WHICH HAS ALREADY TOUCHED SOME POLITICAL FIGURES AND WHICH MAY HAVE FURTHER POLITICAL
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PAGE 03 HELSIN 01739 02 OF 03 021519Z

RAMIFICATIONS. THIS IS THE SALORA CASE WHICH THE EM-BASSY FIRST REPORTED LAST FALL (77 HELSINKI 2311). UNCOVERED IN THE SALORA SCANDAL THUS FAR HAVE BEEN: THE BALCKMARKET SALE OF TV SETS, ILLEGAL BANK ACCOUNTS IN FALSE NAMES, GIFTS AND BOONDOGGLE TRIPS FOR POLITICIANS AND TAX OFFICIALS, ALCOHOL SMUGGLING, AND COMPANY CONTRIBUTIONS TO POLITICAL PARTIES. LAST WEEK THE GOVERNMENT FIRED THE DIRECTOR GENERAL OF THE NATIONAL TAX BOARD, MIKKO LAAKSONEN (SDP), AND SENIOR TAX DIRECTOR AAKE MESIMAKI (CENTER PARTY); IT IS EXPECTED THAT FORMAL CHARGES WILL SOON BE BROUGHT AGAINST THE TWO DISMISSED OFFICIALS.

9. AN IMPORTANT COROLLARY ISSUE HAS DEVELOPED OUT OF THE DISCOVERY OF ILLEGAL, ANONYMOUS BANK ACCOUNTS IN CONNECTION WITH THE SALORA SCANDAL. NATIONAL TAX BOARD DIRECTOR LAAKSONEN HAD DEMANDED OFFICIAL ACCESS TO CONFIDENTIAL BANK ACCOUNTS; WHEN ALL LEADING BANKS REFUSED TO OPEN THEIR BOOKS TO THE TAX INSPECTORS, THE TAX BOARD ANNOUNCED FINES OF UP TO EIGHT MILLION FINNARKS (US TWO MILLION DOLLARS) PER BANK. THE BANKS ARE APPEALING THE FINES IN THE COURTS. LAAKSONEN'S ACTIONS IN THE NATIONAL TAX BOARD PRESSURE ON THE BANKS, HIS INVOLVEMENT IN THE SALORA SCANDAL, AND HIS SUBSEQUENT DISMISSAL HAVE RESULTED IN CHARGES AND COUNTERCHARGES OF COVER-UP AND POLITICAL VENDETTA.

10. COMMENT: GIVEN THE CURRENT LACK OF INTEREST AMONG GOVERNMENT COALITION PARTIES IN THE HOLDING OF PARLIAMENTARY ELECTIONS PRIOR TO THE SCHEDULED MARCH 1979 ELECTIONS, THE CHANCES OF THE GOVERNMENT SURVIVING UNTIL NEXT WINTER AND OF NORMAL ELECTIONS NEXT MARCH ARE CONSIDERABLY HIGHER NOW THAN THEY APPEARED TWO OR THREE MONTHS AGO. ALSO
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PAGE 04 HELSIN 01739 02 OF 03 021519Z

PRESIDENT KEKKONEN REPORTEDLY DOES NOT FAVOR EARLY ELECTIONS, ALTHOUGH HE HAS NOT EXPRESSED HIMSELF PUBLICLY ON THE MATTER. OBVIOUSLY, KEKKONEN'S VIEWS ON SUCH QUESTIONS CAN BE DECISIVE. NEVERTHELESS, THE SITUATION COULD CHANGE AGAIN FOLLOWING THE ROUND OF POLITICAL PARTY CONGRESSES CURRENTLY GETTING UNDER WAY. ALSO, THE ISSUES THAT WILL FACE THE COALITION GOVERNMENT IN LATE SUMMER AND EARLY FALL MAY WELL PROVE UNBRIDGEABLE FOR THE GOVERNMENT COALITION PARTNERS DESPITE THEIR PREFERENCE TO PUT OFF ELECTIONS UNTIL THE LAST POSSIBLE MOMENT. SUCH ISSUES AS THE 1979 BUDGET AND THE NEED TO SLASH IT SHARPLY, CONSTITUTIONAL REFORM, AND AGRICULTURAL INCOMES POLICIES ARE

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PAGE 01 HELSIN 01739 03 OF 03 021538Z
ACTION EUR-12

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C O N F I D E N T I A L SECTION 3 OF 3 HELSINKI 1739

ALL HIGHLY POLITICAL ONES THAT MAY PROVE DIFFICULT FOR THE COALITION PARTNERS TO RESOLVE IN THE CONDITIONS OF MOUNTING ELECTORAL FEVER LIKELY TO PREVAIL AT THAT TIME. MOREOVER, WHILE PUBLIC OPINION POLLS ARE HARDLY ENCOURAGING TO THE GOVERNMENT

COALITION PARTIES, THERE IS LITTLE REASON TO ASSUME
THAT THEIR STANDINGS IN THE POLLS WILL IMPROVE
AS THE FALL OF 1978 WEARS INTO THE WINTER AND
SPRING OF 1979. ON THE CONTRARY, THE SEASONAL ECONOMIC
CYCLE NORMALLY RESULTS IN RISING UNEMPLOYMENT
AND SLOWER NATIONAL PRODUCTION DURING THE WINTER
MONTHS, HARDLY A CONDITION DESIGNED TO BE HELPFUL
ELECTORALLY TO PARTIES DEFENDING THE GOVERNMENT'S
ECONOMIC PROGRAMS. THE OPPOSITION CONSERVATIVE
PARTY, ALREADY EXPECTING IMPORTANT GAINS IN THE
NEXT PARLIAMENTARY ELECTIONS, MAY HAVE REASON TO
EXPECT EVEN GREATER GAINS IF THE ELECTIONS ARE HELD
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PAGE 02 HELSIN 01739 03 OF 03 021538Z

IN MARCH OF NEXT YEAR. MOREOVER, CURRENT TWO-YEAR
WAGE AGREEMENTS COVERING THE BULK OF FINNISH WORKERS
EXPIRE NEXT FEBRUARY AND MARCH; THEREFORE, ELECTIONS
NEXT MARCH WOULD, IN ADDITION TO BEING HELD DURING
A PERIOD OF PEAK UNEMPLOYMENT, COINCIDE WITH POTENTIALLY
DIFFICULT RENEGOTIATION OF MOST EXISTING WAGE CON-
TRACTS. FOR THESE REASONS, WE DO NOT YET RULE OUT
THE POSSIBILITY OF A GOVERNMENT RESIGNATION IN LATE
SUMMER FOLLOWED BY NOVEMBER ELECTIONS.
END COMMENT.
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